

Message Text

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ACTION INR-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 NSAE-00 EB-08 COME-00
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R 021340Z MAR 78
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC 4850
INFO AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMCONSUL FRANKFURT
AMEMBASSY MOSCOW
AMCONSUL MUNICH
AMEMBASSY SOFIA
AMEMBASSY VIANNA
AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 0560

E.O. 11652: GDS
TAGS: ENRG, COMECON, CZ
SUBJECT: CLARIFICATION OF IIB FINANCIAL ARRANGEMENTS

REFS A. STATE 042181, B. PRAGUE 0353

1. EMBASSY UNFORTUNATELY CAN PROVIDE LITTLE HARD INFORMATION
ON POINTS RAISED REF A DUE TO GREAT RELUCTANCE OF CZECHOSLOVAK
OFFICIALS TO COMMENT BEYOND PRESS REPORTS ON ORENBURG PROJECT OR
ITS FINANCING. NEVERTHELESS, FOLLOWING REMARKS MAY BE USEFUL.

2. RE PARA 11 OF REF A, JAN 6 RUDE PRAVO SAID THAT ORENBURG
PIPELINE WILL START OPERATING IN THIRD QUARTER OF 1978 AND,
BEGINNING IN 1979, WILL SUPPLY "28 BILLION(MILIARD) CUBIC METERS
OF GAS ANNUALLY TO THE CSSR, BULGARIA, POLAND, HUNGARY, THE GDR,
AND ROMANIA". SOURCE CITED WAS "SOVIET MINISTRY OF CONSTRUCTION OF
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GAS AND OIL INDUSTRIAL INSTALLATIONS". THIS CONFLICTS WITH REFTTEL
REPORT THAT FIRST 5 EE COUNTRIES WILL RECEIVE 2.8 BILLION
CUBIC METERS EACH AND ROMANIA 1.5 BILLION CUBIC METERS EACH
AND ROMANIA 1.5 BILLION (I.E. A TOTAL OF 15.5 BILLION). IN
SEPTEMBER, 1977, PRIME MINISTER STROUGAL SAID THAT SOVIET GAS
DELIVERIES TO CSSR WOULD INCREASE FROM 3.7 BILLION CUBIC METERS IN
1975 TO OVER 8 BILLION CUBIC METERS IN 1980. WE CANNOT SAY

HOW MUCH OF THIS WOULD BE ACCOUNTED FOR SPECIFICALLY BY ORENBURG GAS OR BY TRANSIT FEES, REPORTEDLY EQUIVALENT OF 11 TO 13 PERCENT OF GAS PIPED THROUGH CSSR TO WESTERN EUROPE.

3. RE PARA 12, WE HAVE NO HARD INFORMATION BUT ASSUME CZECHS ARE EXPECTED TO REPAY IIB HARD CURRENCY LOANS FROM THEIR REGULAR, INADEQUATE HARD CURRENCY RESOURCES.

4. RE PARA 13, IT IS HIGHLY PLAUSIBLE AND, WE BELIEVE, POSSIBLE THAT SOVIETS AND ALLIES ARE USING ORENBURG AS PRETEXT FOR WESTERN BORROWINGS VIA IIB WHICH ARE ACTUALLY USED FOR BALANCE-OF PAYMENTS PURPOSES. CZECHOSLOVAKIA CONTINUES TO BORROW ONLY MODESTLY IN WEST (REF B) WHILE ITS HARD CURRENCY TRADE DEFICIT SURELY CONTINUES TO GROW. IIB LOANS WOULD PROVIDE A CONVENIENT WAY FOR SECRETIVE GOC TO OBTAIN HARD CURRENCY FINANCING INCONSPICUOUSLY. HOWEVER, ALL OF ABOVE IS BASED ON CONJECTURE, NOT ON HARD EVIDENCE.
FROWICK

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